

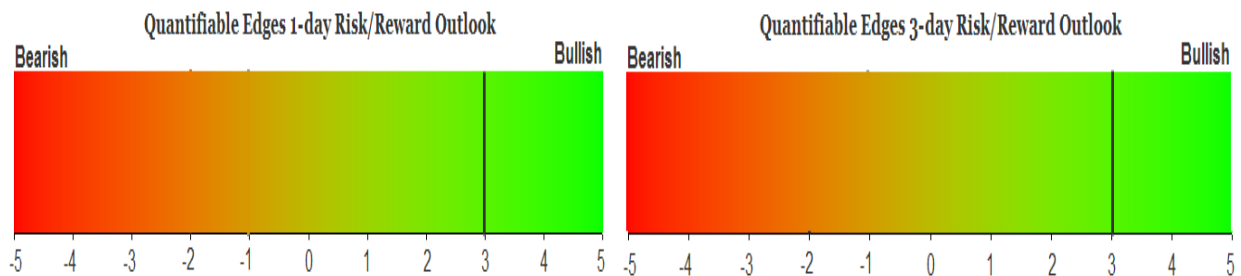
QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

May 25, 2023

Volume 16 Issue 100

Market Overview



Signals Overview

Aggregator	CBI Reading
Long	4

Tonight's Research Points

- 2 unfilled gaps down while above the 200ma has often been followed by a bounce in the next few days.
- The gap down and continued selling on Wednesday could be setting the market up for a bounce.

Short-term Outlook

The Bottom Line

The Aggregator is bullish. Evidence is building and the SPX is oversold. I like the long side.

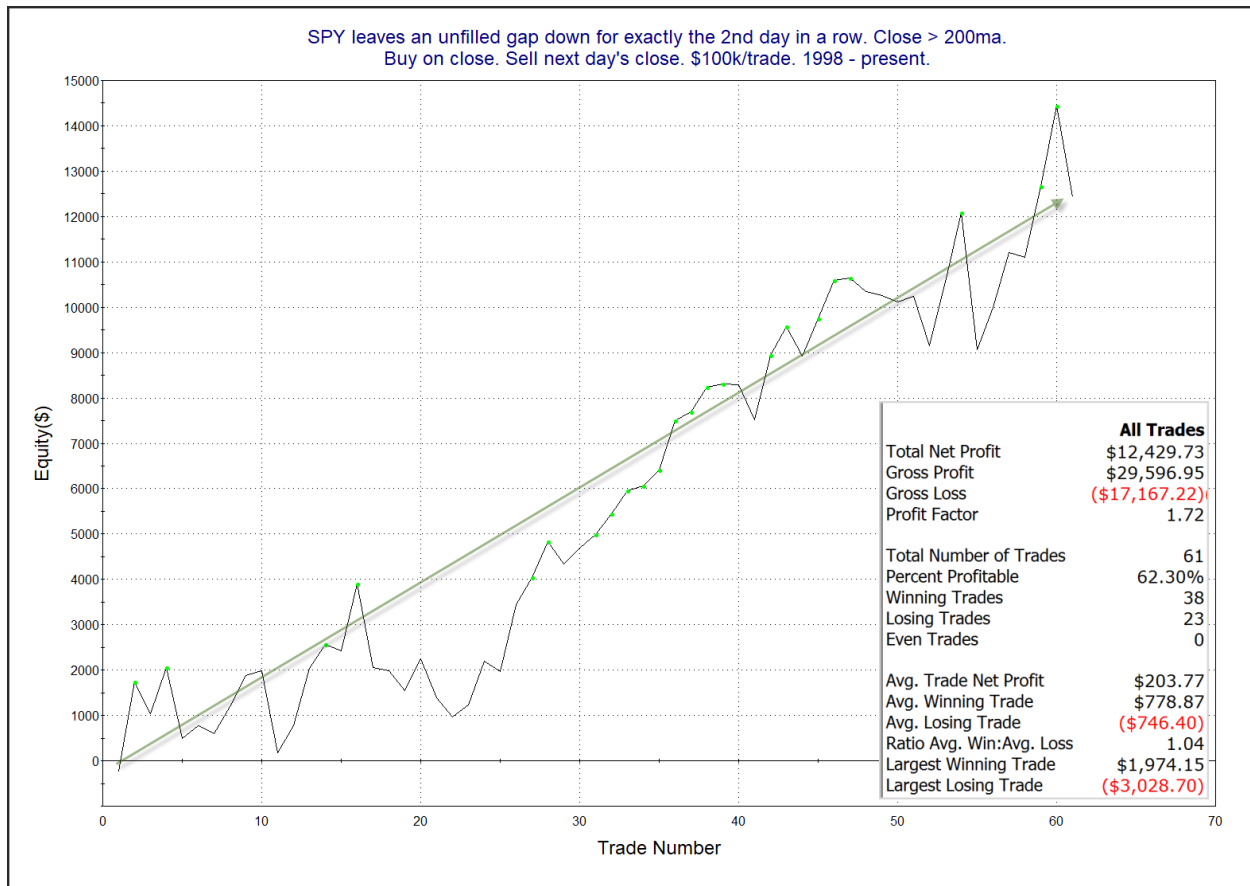
Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
May 25, 2023	Yest 5-low. Unfill gap dn. Cl < Opn > 200	1-2 days	Bullish			
May 25, 2023	Unfilled gap down 2x. Close > 200ma	1 day	Bullish			
Active - Long Term						
May 22, 2023	SPX 50-day high < 1/2 SPX stocks > 50ma	1-12 months	Neutral			
May 1, 2023	NASDAQ Leading	int term	Bullish			
February 2, 2023	SPX Golden Cross	int term	Bullish			
January 13, 2023	Deemer Breakaway Momentum	1-6 months	Bullish			
January 13, 2023	Whaley ADT5 > 73.66	1-12 months	Bullish			
December 1, 2022	SPX goes from < 15% above 50 to > 90%	1-6 months	Bullish			
March 14, 2022	Fed Hawkish / QE done	int term	Bearish			
Dropped Tonight (expired, tgt hit, or avg ddn + 1 std dev exceeded)						
May 19, 2023	SPX breakout on lower volume	1-5 days	Bullish	1.50%	-1.00%	-1.90%

The Evidence

Wednesday was a down day. The SPX lost 0.7%, the NASDAQ declined 0.6%, and the Russell 2000 fell 1.2%. Breadth was negative with the NYSE Up Issues % coming in at 24% and the Up Volume % at 22%. NYSE total volume declined some from Tuesday's level.

From a price action standpoint, it was notable that Monday marked the 2nd day in a row that SPY left an unfilled gap down. In the 8/13/19 letter I showed a study that suggested bullish implications when this occurred during a long-term uptrend. I took a fresh look at that study tonight. Looking out beyond just the next day, the setup has not fared as well recently. But the 1-day results were still solid, and I have shown them below.



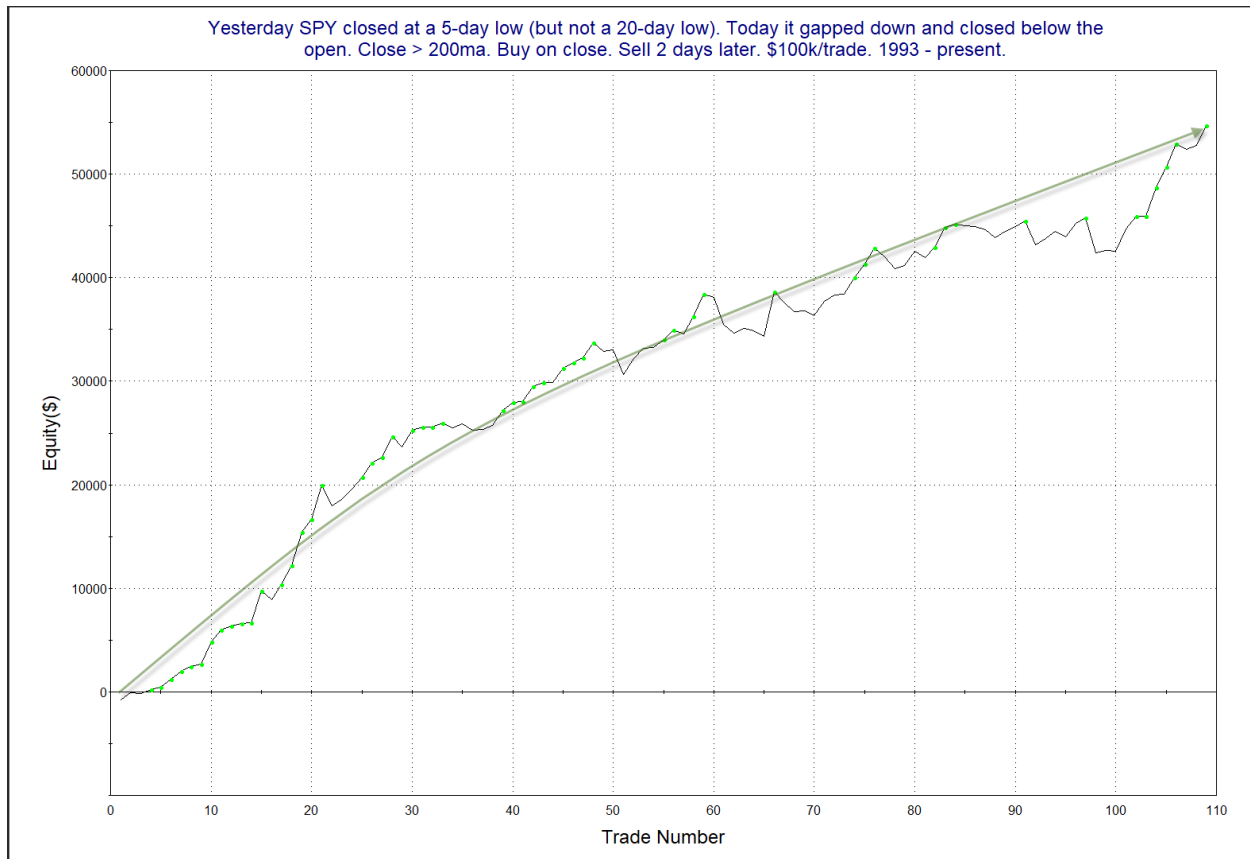
The curve is certainly choppy, but I find the overall evidence strong enough to add it to the Active List as a 1-day edge.

In the 5/5/23 letter I showed a study that examined gaps down and poor closes following a 5-day low. The setup appeared bullish. But I have also noted in the past that it was even more bullish if the gap down followed a 20-day low. So 20-day low instances are excluded in the below study to prevent the data from looking overly bullish. Stats are updated.

Yesterday SPY closed at a 5-day low (but not a 20-day low). Today it gapped down and closed below the open. Close > 200ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.

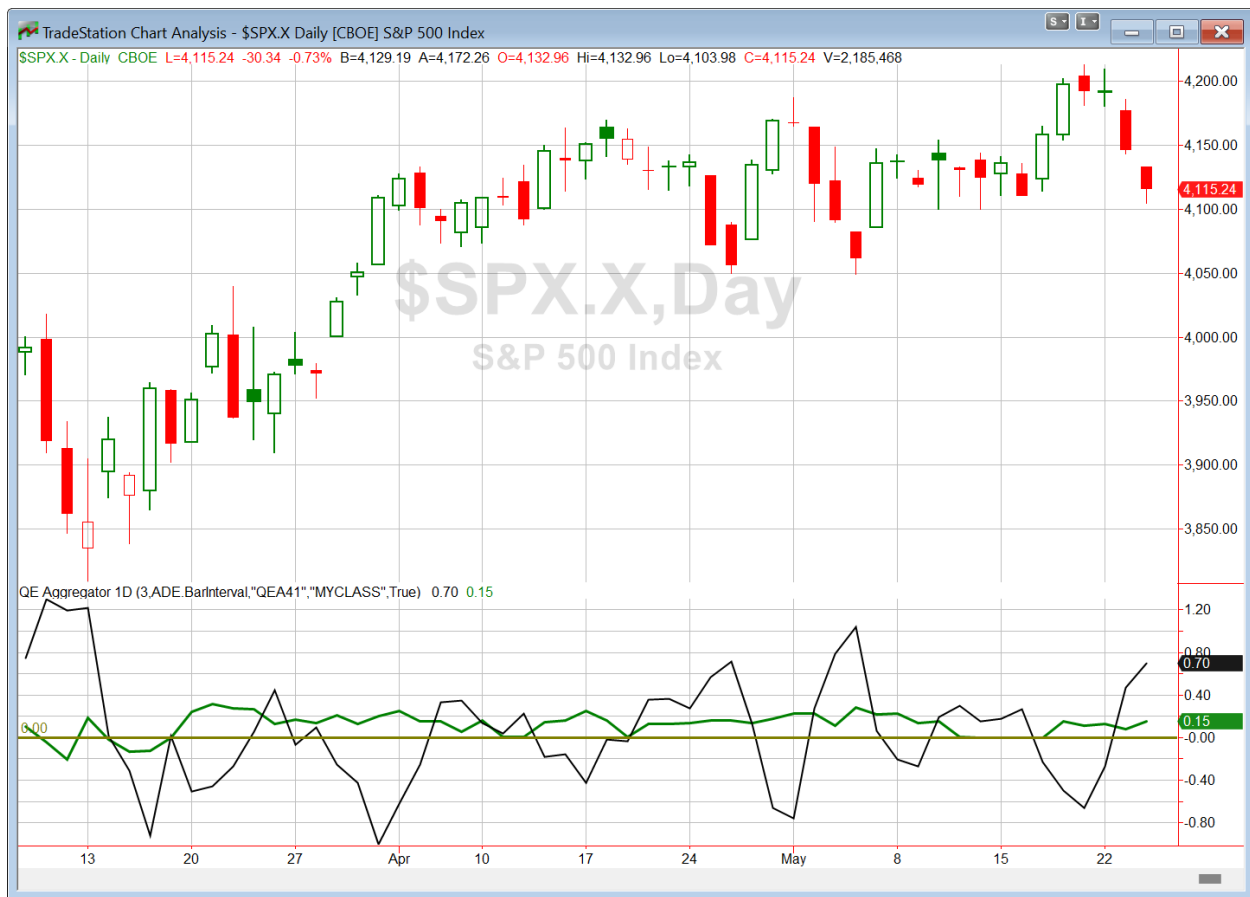
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
5	82,255.55	106	73	32	68.87	5,165.28	-5,063.85	1,663.47	-1,224.31	1.36	3.10	776.00
4	48,379.92	106	71	35	66.98	4,647.50	-8,109.60	1,470.80	-1,601.34	0.92	1.86	456.41
3	49,645.86	108	68	39	62.96	4,290.00	-7,722.10	1,452.73	-1,259.99	1.15	2.01	459.68
2	54,670.73	109	78	31	71.56	4,305.42	-3,385.20	1,045.67	-867.47	1.21	3.03	501.57
1	31,139.35	113	78	35	69.03	2,143.68	-4,181.76	797.28	-887.10	0.90	2.00	275.57

Odds here appear bullish, especially over the 1st 2 days. Below is a profit curve assuming a 2-day exit strategy.



The persistent upslope serves as confirmation of the bullish potential. I have included this study on the Active List tonight.

I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean expectations are for upside over the next few days. Meanwhile the black Differential Line also held above zero. The positive Differential Line reading means that SPX is oversold versus recent expectations. So expectations are positive and SPX is oversold. This is considered a bullish configuration. Bullish configurations are visible on the chart whenever both lines close above zero. Therefore, the Aggregator formation turned long at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. Of course this could change if new bearish evidence emerges. Meanwhile, the Differential Pivot will be 4207.54 Thursday. That is 2.2% above Wednesday's close. Therefore, SPX would need to close up at least 2.2% on Thursday in order to flip from oversold to overbought vs recent expectations.

So the Aggregator is bullish. We saw some solid evidence emerge tonight suggesting a bounce. And there is ample room to the upside before SPX would turn overbought. Reward/risk appears favorable for the bulls. I took some long exposure right at the close. I may add to it on Thursday if we get another down day with a weak close.

Intermediate-term Outlook (2 weeks – 2 months) – updated 5/22 – slightly bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

MDLZ – 1/3 @ \$75.87 (bought @ limit)

MDLZ – 1/3 @ \$75.65 (bought @ limit)

New

MDLZ – 1/3 @ \$75.47 (buy @ limit)

PEP – 1/3 @ \$184.89 (buy @ limit)

Broad Market Large Cap CBI – 4(MDLZ-3, PEP)

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

MDLZ – Buy 1/3 Catapult position @ \$75.47 LIMIT. From the Catapult section above, this is the 3rd and final lot of MDLZ.

PEP – Buy 1/3 Catapult position @ \$184.89 LIMIT. From the Catapult section above, this is the 1st of up to 3 possible lots of PEP.

SPY – Buy ¼ index position @ \$410.00 LIMIT ON CLOSE, AS LONG AS IT ALSO CLOSES IN THE BOTTOM HALF OF ITS INTRADAY RANGE. Based on the short-term outlook above, I will look to add to my SPY position if it sells off further on Thursday and closes poorly.

Current Open Trade Ideas

Symbol	Entry Date	Entry Price	Current Price	% Gain/Loss	Notes
MDLZ(1/3)	5/23/2023	\$75.87	\$75.47	-0.53%	Catapult
MDLZ(1/3)	5/24/2023	\$75.63	\$75.47	-0.21%	Catapult
SPY(1/4)	5/24/2023	\$411.09	\$411.09	0.00%	Aggregator

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